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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

2008 JAN 25 P 2:56

AZ CORP COMMISSION
DOCKET CONTROL

DATE: January 25, 2008

RE: STAFF REPORT FOR EMPIRITA WATER COMPANY, LLC'S
APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO.
W-03948A-07-0495)

Attached is the Staff Report for Empirita Water Company, LLC's application for a permanent rate increase. Staff recommends approval of the rate increase application using Staff's recommended rates and charges. Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before February 4, 2008.

EGJ:DRE:tdp

Originator: Darak R. Eaddy



Service List for: Empirita Water Company, LLC
Docket No. W-03948A-07-0495

Mrs. Sonn S. Rowell
Authorized Representative
Empirita Water Company, LLC
2090 North Kolb Road, Suite 120
Tucson, Arizona 85715

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

EMPIRITA WATER COMPANY, LLC

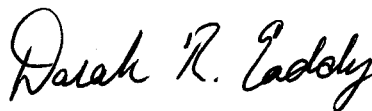
DOCKET NO. W-03948A-07-0495

**APPLICATION FOR A
PERMANENT RATE INCREASE**

January 25, 2008

STAFF ACKNOWLEDGMENT

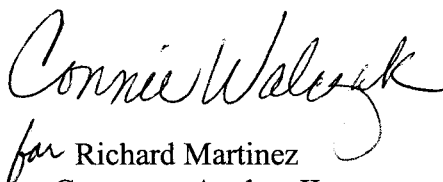
The Staff Report for Emprita Water Company, LLC, Docket No. W-03498A-07-0495, was the responsibility of the Staff members listed below. Darak R. Eaddy was responsible for the financial review and analysis of the Company's application, recommended revenue requirements, rate base and rate design. Katrin Stukov was responsible for the engineering and technical analysis. Richard Martinez was responsible for reviewing the Commission's records on customer complaints filed with the Commission.



Darak R. Eaddy
Public Utilities Analyst II



Katrin Stukov
Utilities Engineer



for Richard Martinez
Consumer Analyst II

EXECUTIVE SUMMARY
EMPIRITA WATER COMPANY, LLC
APPLICATION FOR A PERMANENT RATE INCREASE
DOCKET NO. W-03498A-07-0495

Empirita Water Company, LLC ("Empirita" or "Company") is engaged in the business of providing potable water service to customers in Cochise County. The Company is located approximately 8 miles west of the City of Benson in Cochise County, Arizona. The Company provides services to approximately 23 customers and its current rates were effective May 24, 2001, per Arizona Corporation Commission ("Commission") Decision No. 63676.

The Company proposes total operating revenue of \$11,863, an increase of \$2,269, or 23.65 percent over test year revenue of \$9,594. Staff recommends total operating revenue of \$11,776, an increase of \$2,182, or 22.74 percent over test year revenue of \$9,594. The Company's proposed revenues result in an operating loss of \$36,240. Staff recommended revenues would result in an operating loss of \$28,167.

Commission Decision No. 63676, dated May 24, 2001, ordered the Company to file a full rate application within 36 months of the date it provided service to its first permanent customer. In addition, the Company was ordered, in Commission Decision No. 69399, dated March 29, 2007, to file a full rate application within 150 days of the effective date of that Order. In this filing, the Company is not requesting revenues to cover all operating expenses because the Company's growth has been slower than anticipated and the Company is projecting significant revenue growth from an increase in customers over the next 3-5 years.

The Company has proposed an original cost rate base ("OCRB") of \$467,378. The Company's proposed rates would increase the typical residential bill with a median usage of 3,483 gallons from \$31.97 to \$38.71, an increase of \$6.74 or 21.08 percent.

Staff has recommended an OCRB of \$470,557. Staff's recommended rates would increase the typical residential bill with a median usage of 3,483 gallons from \$31.97 to \$39.31, an increase of \$7.34 or 22.96 percent.

Staff recommends approval of its rates and charges as presented on Schedule DRE-4 of this Report.

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ATTACHMENT

Engineering ReportA

Fact sheet

Type of Ownership: Arizona Limited Liability Company.

Location: The Company serves water customers approximately 8 miles west of Benson in Cochise County, Arizona.

Rates: Permanent rate increase application filed: August 24, 2007. The application became sufficient on November 26, 2007.

Current Rates: Decision No. 63676, May 24, 2001.

Test Year Ended: December 31, 2006.

Metered Rates:

	Company Current <u>Rates</u>	Company Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
Monthly Minimum Charge			
5/8 X 3/4 – inch meter	\$ 25.00	\$ 30.00	\$ 30.00
3/4 – inch meter	\$ 25.00	\$ 45.00	\$ 45.00
1 – inch meter	\$ 62.50	\$ 75.00	\$ 75.00
1 - 1/2 – inch meter	\$ 125.00	\$ 150.00	\$ 150.00
2 – inch meter	\$ 200.00	\$ 240.00	\$ 240.00
3 – inch meter	\$ 400.00	\$ 480.00	\$ 480.00
4 – inch meter	\$ 625.00	\$ 750.00	\$ 750.00
6 – inch meter	\$1,250.00	\$1,500.00	\$1,500.00
Gallons in minimum	0	0	0
Commodity Charge			
Tier One up to 10,000 gallons	\$2.00		
Tier Two all gallons over 10,000 gallons	\$4.50		
Tier One from 1 gallon to 4,000 gallons		\$2.50	
Tier Two from 4,001 gallons to 10,000 gallons		\$4.00	
Tier Three all gallons over 10,000		\$5.00	
Tier One from 1 gallon to 3,000 gallons			\$2.50
Tier Two from 3,001 gallons to 9,000 gallons			\$3.75
Tier Three all gallons over 9,000			\$4.50

Fact Sheet (Continued)

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
<u>Typical residential bill:</u>			
Average use (5,783 gallons)	\$36.57	\$47.13	\$47.93
Median use (3,483 gallons)	\$31.97	\$38.71	\$39.31

Customers:

Number of customers in the test year: 23

Current test year customers by meter size:

5/8 X 3/4 – inch	23
3/4 – inch	0
1 – inch	0
1 1/2 – inch	0
2 – inch	0
4 – inch	0
6 – inch	0

Seasonal customers: N/A

Notifications:

An affidavit of mailing of the customer notification was notarized and dated August 24, 2007.

Number of opinions filed against the rate increase application: 3.

Percentage of customers against the proposed rate increase: 13 percent (3 / 23).

Number of customer complaints filed against the Company from January 1, 2005 to present: 0.

Number of inquiries filed against the Company from January 1, 2005 to present: 2.

All inquiries have been resolved and closed.

Summary of Filing

The test year results as adjusted by Utilities Division Staff ("Staff"), for Empirita Water Company, LLC ("Empirita" or "Company") show total operating revenue of \$9,594 and an operating loss of \$30,349, for no rate of return as shown on Schedule DRE-1. The original cost rate base ("OCRB") as adjusted by Staff is \$470,557.

Empirita's proposed rates, as requested, would produce total operating revenue of \$11,863 and operating loss of \$36,240, for no rate of return. The Company proposed OCRB is \$467,378. The Company's proposed rates would increase the typical residential bill,¹ with a median usage of 3,483 gallons, from \$31.97 to \$38.71, for an increase of \$6.74, or 21.08 percent, as shown on Schedule DRE-5.

Staff's recommended rates would produce total operating revenue of \$11,776 and operating loss of \$28,167, for no rate of return. Staff recommends an OCRB of \$470,557. Staff's recommended rates would increase the typical residential bill with a median usage of 3,483 gallons, from \$31.97 to \$39.31, for an increase of \$7.34 or 22.96 percent, as shown on Schedule DRE-5.

The Company was ordered in two separate Commission Decisions to file this rate increase application. In Commission Decision No. 63676, dated May 24, 2001, the Company was ordered to file a full rate application within 36 months of the date it provided service to its first permanent customer. In Commission Decision No. 69399, dated March 29, 2007, Empirita was ordered to file a full rate application within 150 days of the effective date of that Order.

In this filing, the Company is not requesting revenues to cover all operating expenses because the Company is projecting significant revenue growth from an increase in customers over the next 3-5 years. At this time it would be unfair to the Company's existing small customer base to fully cover all Company operating expenses given that the Company has only operated for two years and the Company has not experienced the customer growth it anticipated when its original rates were established in Decision No. 63676. Therefore, Staff concurs with the Company's decision to not seek to fully recover all operating expenses with this rate increase application. However, because the Company is projecting significant revenue and customer growth over the next several years, Staff recommends the Company be ordered to file a full rate application within 48 months of the effective date of this Decision. This full rate application would allow Staff to fully examine the Company's operational data after it has achieved some level of stable operations and a larger customer base.

Empirita is located approximately 8 miles west of the City of Benson, and the Company's original Certificate of Convenience and Necessity ("CC&N") covers an area of 320 acres. The Company was granted an extension of its CC&N in Decision No. 69399 on March 29, 2007, for an additional 1,651 acres immediately adjacent to the Company's original 320 acre certificated

¹ 5/8 x 3/4 -inch meter.

area.

During the test year, Empirita provided potable water service to a total of 23 metered customers. All of the metered customers in the test year were served with 5/8 x 3/4 -inch meters.

The Company utilized a test year ending December 31, 2006. The Company is registered as an Arizona Limited Liability Company with the Corporations Division of the Commission.

Company Background

On October 20, 2000, Empirita Water Company filed an application requesting a new water CC&N to provide water service in a portion of Cochise County, Arizona. In Decision No. 63676, dated May 24, 2001, the Company was granted its CC&N to provide service to customers approximately 8 miles west of the City of Benson, Cochise County, Arizona. The Company was granted an extension of its certificated area in Decision No. 69399, dated March 29, 2007.

Empirita was originally formed to service a development known as Thunder Ranch Estates. The Redhawk I development area of Thunder Ranch Estates was for 91 lots on 320 acres. The Company's CC&N extension included five distinct development areas for an additional 881 lots and 1,651 acres. At full build-out, the Company anticipates serving approximately 972 customers.

The current rates were decided on May 24, 2001 Decision No. 63676.

On August 24, 2007, Empirita filed this application for a permanent rate increase.

Consumer Services

A review of the Consumer Services Section database from January 1, 2005 to January 7, 2008, revealed no complaints have been filed against the Company. There have been three opinions filed by customers against this rate increase application.

Compliance

The Utilities Division Compliance Section shows no outstanding compliance issues.

The Company is current on its property and sales tax payments.

The Company is in good standing with the Corporations Division of the Commission.

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") to 10 µg/l. The arsenic levels reported by Empirita comply with the new arsenic MCL.

Engineering

Staff inspected the Company's plant facilities on November 6, 2007. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report.

Rate Base

Staff's adjustments increased the Company's proposed rate base by \$3,179, from \$467,378 to \$470,557, as shown on Schedule DRE-2, page 1. Details of Staff's adjustments are discussed below.

Plant in Service

Staff's adjustments to plant in service resulted in a net decrease of \$1,563, from \$498,160 to \$496,597, as shown on Schedule DRE-2, page 2.

Organization - Adjustment A decreases the Organization account by \$30, from \$21,960 to \$21,930, as shown on Schedule DRE-2, pages 2 and 3. Staff's adjusted amount reflects the disallowance of amounts not supported by documentation.

Wells & Springs - Adjustment B decreases the Wells & Springs account by \$5,198, from \$116,334 to \$111,136, as shown on Schedule DRE-2, pages 2 and 3. Staff's adjusted amount reflects the disallowance of amounts not supported by documentation.

Distribution Reservoirs, Pressure - Adjustment C increases the Distribution Reservoirs, Pressure account by \$3,665, from \$12,266 to \$15,931, as shown on Schedule DRE-2, pages 2 and 3. Staff's adjusted amount reflects the reclassification and the capitalization of \$3,665 of Outside Services cost the Company had incorrectly expensed. The Outside Services vendor purchased and installed an air compressor that the Company incorrectly listed as an Outside Services expense rather than as a plant addition.

Accumulated Depreciation

Staff decreased accumulated depreciation by \$1,785 from \$22,582 to \$20,797, as shown on Schedule DRE-2, page 4. The decrease is based upon the adjustments Staff made to plant in service, and the addition of depreciation expense to accumulated depreciation for the Company's first two years of operation. Staff also removed from the accumulated depreciation account, the costs associated with the Company improperly taking amortization of the Organization account for ratemaking purposes.

Working Capital

Staff's adjustments to working capital resulted in a net increase of \$2,957, from \$0 to \$2,957, as shown on Schedule DRE-2, pages 1 and 5, as a result of increasing cash working capital.

Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses, plus one twenty-fourth of purchased power and purchased water expenses.

Operating Income Statement

Operating Revenue

Staff concurs with the Company's test year operating revenue as shown on Schedule DRE-3, page 1.

Operating Expenses

Staff adjustment to operating expenses resulted in a decrease of \$8,159 from \$48,103 to \$39,943, as shown on Schedule DRE-3 page 1. The adjustments are explained below.

Outside Services - Adjustment A decreased outside services by \$4,342 from \$23,129 to \$18,787, as shown on Schedule DRE-3, pages 1 and 2. Staff recommends the removal of \$3,664 related to the purchase and installation of an air compressor that should be capitalized instead of expensed. Staff further recommends the removal of \$490 relating to water sampling test costs that were incorrectly recorded to outside services instead of the water testing account. Staff further recommends the disallowance of \$188 related to costs not supported by documentation.

Water Testing - Adjustment B increases water testing by \$572 from \$200 to \$772, as shown on Schedule DRE-3, pages 1 and 2. This adjustment reflects the annual water testing costs determined by Staff and reported in the attached Engineering Report.

General Liability Insurance Expense - Adjustment C decreases general liability insurance expense by \$80, from \$2,145 to \$2,065, as shown on Schedule DRE-3, pages 1 and 2. The Company provided a 2006 insurance policy that listed premium amounts of \$1,565 for general liability coverage, \$250 for property coverage, and \$250 for commercial auto coverage.

Regulatory Commission Expense – Rate Case - Adjustment D decreases the regulatory commission expense – rate case by \$1,500 from \$2,000 to \$500, as shown on Schedule DRE-3, pages 1 and 2. This adjustment reflects the normalized rate case expense over a four-year period which is consistent with Staff's recommendation for when the Company would file a new rate application.

Miscellaneous Expense - Adjustment E decreases miscellaneous expense by \$400, from \$412 to \$12, as shown on Schedule DRE-3, pages 1 and 2. Staff's adjusted amount reflects the disallowance of amounts not supported by documentation.

Depreciation Expense - Adjustment F decreases depreciation expense by \$2,185, from \$16,800 to \$14,615, as shown on Schedule DRE-3, pages 1, and 3. This adjustment reflects application of Staff's recommended depreciation rates to Staff's recommended plant balances for the Company.

Property Taxes - Staff's adjustment G decreases the property taxes expense by \$224, from \$490 to \$266, as shown on Schedule DRE-3, pages 1 and 3. This adjustment reflects Staff's removal of a property tax bill from the year prior to the test year.

Revenue Requirement

Staff recommends total operating revenue of \$11,776, an increase of \$2,182, or 22.74 percent above the Company's test year revenue of \$9,594. Staff's recommended revenue provides operating loss of \$28,167, as shown on Schedule DRE-1.

Staff was unable to derive the revenue requirement from applying a rate of return on rate base because of the Company's exceptionally low customer base. Deriving revenue requirement with a rate of return on rate base utilizing the Company's particularly low customer base would have produced unreasonably high rates for each of the Company's few customers.

Rate Design

Schedule DRE-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The Company's present monthly customer charges vary by meter size as follows: 5/8-3/4 inch \$25.00; 3/4-inch, \$25.00; 1-inch, \$62.50; 1 1/2-inch, \$125.00; 2-inch, \$200.00; 3-inch, \$400.00; 4-inch, \$625.00; and 6-inch, \$1,250.00. No gallons are included in the minimum. The present commodity rate is \$2.00 per thousand gallons of usage for the first 10,000 gallons; \$4.50 per thousand gallons for all gallons in excess of 10,000.

The Company has requested an inverted three-tier rate structure with break-over points at 4,000 and 10,000 gallons. Staff concurs with the Company on an inverted three-tier rate structure as this rate design will encourage conservation. However Staff recommends that the break-over points be set at 3,000 and 9,000 gallons. Staff chose its recommended tier break-over points to meet the goals of a more aggressive use of tiered rates as previously ordered by the Commission in Decision No. 69399, dated March 29, 2007. In that Decision, the Commission ordered the Company to file a new rate application that more aggressively utilizes tiered rates by proposing at least three tiers with a first tier breakpoint at less than 10,000 gallons.

The Company proposed a bulk water rate of \$5.00 per 1,000 gallons. Staff recommends a \$4.50 rate which is consistent with Staff's third tier rate.

Miscellaneous Service Charges

The Company has proposed increases to its establishment, establishment (after hours), reconnection, NSF check, and meter re-read fees. Staff notes that any increase in miscellaneous service charges recommended by Staff will have no effect on Staff's total annual operating revenue. This is because Staff offsets any increase in miscellaneous service charges with an equal decrease in metered revenue.

Staff reviewed the miscellaneous service charges in question and found that the Company's proposed rates are reasonable given the documented costs the Company has experienced and provided to Staff for such services. In addition, the Company's proposed rates for these service charges are within the range of service charges typically approved by the Commission. Therefore, Staff concurs with the Company's proposed charges.

Service Line and Meter Installation Charges

Staff recommends approval of Staff's Service Line and Meter Installation Charges as shown on the table in Section I of the attached Engineering Report.

Staff Recommendations

Staff recommends approval of the Staff proposed rates and charges as shown in Schedule DRE-4. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409.D.

Staff further recommends that the Company be ordered to file with Docket Control, as a compliance item in this docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

Staff further recommends the Company be ordered to file a full rate application by May 1, 2012 using a December 31, 2011 test year. The Company may file a rate case sooner if it believes circumstances warrant such a filing.

Staff further recommends that the Company continue using depreciation rates by individual NARUC category as delineated in Table C of the attached Engineering Report.

Staff further recommends approval of Staff's Service Line and Meter Installation Charges as delineated in Table D in Section I of the attached Engineering Report.

Staff further recommends that the Company file a backflow prevention tariff in the form found on the Commission's website at www.azcc.gov/divisions/utilities/forms/cross-c.pdf. This tariff shall be docketed as a compliance item in this case within 45 days of the effective date of an order in this proceeding for review and certification by Staff. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

Empirita Water Company, LLC

Docket No. W-03948A-07-0495

Schedule DRE-1

Test Year Ended: December 31, 2006

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$9,009	\$9,009	\$11,278	\$11,191
Unmetered Water Revenue	0	0	0	0
Other Water Revenues	585	585	585	585
Total Operating Revenue	\$9,594	\$9,594	\$11,863	\$11,776
Operating Expenses:				
Operation and Maintenance	\$30,813	\$25,063	\$30,813	\$25,063
Depreciation	16,800	14,615	16,800	14,615
Property & Other Taxes	490	266	490	266
Income Tax	0	0	0	0
Total Operating Expense	\$48,103	\$39,943	\$48,103	\$39,943
Operating Income/(Loss)	(\$38,509)	(\$30,349)	(\$36,240)	(\$28,167)
Rate Base O.C.L.D.	\$467,378	\$470,557	\$467,378	\$470,557
Rate of Return - O.C.L.D.	-8.24%	-6.45%	-7.75%	-5.99%
Operating Margin	-401.38%	-316.34%	-305.49%	-239.19%

RATE BASE

	----- Original Cost -----			
	Company	Adjustment	Ref	Staff
Plant in Service	\$498,160	(\$1,563)	A	\$496,597
Less:				
Accum. Depreciation	22,582	(1,785)	B	20,797
Net Plant	\$475,578	\$222		\$475,800
Less:				
Advances in Aid of Construction	\$8,200	\$0		\$8,200
Accumulated Deferred Income Taxes	0	0		0
Total Advances	\$8,200	\$0		\$8,200
Contributions Gross	\$0	\$0		\$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	\$0	\$0		\$0
Total Deductions	\$8,200	\$0		\$8,200
Plus:				
1/24 Power	\$0	\$88	C	\$88
1/8 Operation & Maint.	0	2,868	D	2,868
Inventory	0	0		0
Prepayments	0	0		0
Total Additions	\$0	\$2,957		\$2,957
Rate Base	\$467,378	\$3,179		\$470,557

Explanation of Adjustment:

- A - See Schedule 2, Page 2, A through B
- B - See Schedule 2, Page 4
- C - See Schedule 2, Page 5
- D - See Schedule 2, Page 5

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$21,960	(\$30) A	\$21,930
302 Franchises	0	0	0
303 Land & Land Rights	0	0	0
304 Structures & Improvements	0	0	0
307 Wells & Springs	116,334	(5,198) B	111,136
311 Pumping Equipment	28,698	0	28,698
320 Water Treatment Equipment	0	0	0
330 Distribution Reservoirs & Standpipes	0	0	0
330.1 Distribution Reservoirs, Storage	31,500	0	31,500
330.2 Distribution Reservoirs, Pressure	12,266	3,665 C	15,931
331 Transmission & Distribution Mains	286,096	0	286,096
333 Services	0	0	0
334 Meters & Meter Installations	1,306	0	1,306
335 Hydrants	0	0	0
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipment	0	0	0
340 Office Furniture & Equipment	0	0	0
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipment	0	0	0
344 Laboratory Equipment	0	0	0
345 Power Operated Equipment	0	0	0
346 Communication Equipment	0	0	0
347 Miscellaneous Equipment	0	0	0
348 Other Tangible Plant	0	0	0
105 C.W.I.P.	0	0	0
TOTALS	\$498,160	(\$1,563)	\$496,597

Explanation of Adjustment:

A - See Schedule 2, Page 3

B - See Schedule 2, Page 3

C - See Schedule 2, Page 3

STAFF PLANT ADJUSTMENTS

A -	ORGANIZATION - Per Company Per Staff	\$21,960	
		21,930	(\$30)
	To properly reflect account using information Company provided in response to a data request as follows:		
	\$ 6,902	2005 Addition	
	\$ 15,028	2006 Addition	
	\$ 21,930	Staff Balance, Organization	
B -	WELLS & SPRINGS - Per Company Per Staff	\$116,334	
		111,136	(\$5,198)
	To properly reflect account using information Company provided in response to a data request as follows:		
	\$ 86,111	2005 Addition	
	\$ 25,025	2006 Addition	
	\$ 111,136	Staff Balance, Wells & Springs	
C -	DISTRIBUTION RESERVOIRS, PRESSURE - Per Company Per Staff	\$12,266	
		15,931	\$3,665
	To properly reflect account using information Company provided in response to a data request as follows:		
	\$ 12,266	Company Submittal	
	\$ 3,664	Purchase and installation costs for Air Compressor	
	\$ 15,931	Staff Balance, Distribution Reservoirs, Pressure	

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$22,582
Accumulated Depreciation - Per Staff	20,797
Total Adjustment	<u>(\$1,785)</u> B

B - To reflect Staff's calculation of accumulated depreciation expense based upon Staff's adjustments to plant.

Depreciation Expense 2005	\$6,745
Depreciation Expense 2006	<u>\$14,052</u>
Accumulated Depreciation 12/31/2005 Staff Balance	\$20,797
Less: Company Balance	<u>(\$22,582)</u>
Staff Adjustment	<u>(\$1,785)</u>

STAFF RATE BASE ADJUSTMENTS

E	-	WORKING CAPITAL (1/24 PURCHASED PWR & WTR) - Per Company Per Staff	\$0	
			88	\$88
		To reflect Staff's calculation of working capital based upon Staff's recommendations for purchased power and purchased water.		
F	-	WORKING CAPITAL (1/8 OPERATION & MAINT EXP) - Per Company Per Staff	\$ -	
			2,868	\$2,868
		To reflect Staff's calculation of working capital based upon Staff's recommendations for operation and maintenance expense (excluding purchased power and purchased water expenses).		

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$9,009	\$0	\$9,009
460 Unmetered Water Revenue	0	0	0
474 Other Water Revenues	585	0	585
Total Operating Revenue	\$9,594	\$0	\$9,594
Operating Expenses:			
601 Salaries and Wages	\$0	\$0	\$0
610 Purchased Water	0	0	0
615 Purchased Power	2,116	0	2,116
618 Chemicals	0	0	0
620 Repairs and Maintenance	763	0	763
621 Office Supplies & Expense	48	0	48
630 Outside Services	23,129	(4,342) A	18,787
635 Water Testing	200	572 B	772
641 Rents	0	0	0
650 Transportation Expenses	0	0	0
657 Insurance - General Liability	2,145	(80) C	2,065
659 Insurance - Health and Life	0	0	0
666 Regulatory Commission Expense - Rate Case	2,000	(1,500) D	500
675 Miscellaneous Expense	412	(400) E	12
403 Depreciation Expense	16,800	(2,185) F	14,615
408 Taxes Other Than Income	0	0	0
408.11 Property Taxes	490	(224) G	266
409 Income Tax	0	0	0
Total Operating Expenses	\$48,103	(\$8,159)	\$39,943

OPERATING INCOME/(LOSS)	(\$38,509)	\$8,159	(\$30,349)
--------------------------------	-------------------	----------------	-------------------

Other Income/(Expense):			
419 Interest and Dividend Income	\$0	\$0	\$0
421 Non-Utility Income	0	0	0
427 Interest Expense	0	0	0
4XX Reserve/Replacement Fund Deposit	0	0	0
426 Miscellaneous Non-Utility Expense	0	0	0

Total Other Income/(Expense)	\$0	\$0	\$0
------------------------------	-----	-----	-----

NET INCOME/(LOSS)	(\$38,509)	\$8,159	(\$30,349)
--------------------------	-------------------	----------------	-------------------

STAFF ADJUSTMENTS

A - OUTSIDE SERVICES - Per Company \$23,129
Per Staff 18,787 (\$4,342)

To properly reflect account using information Company
provided in response to a data request as follows:

<u>Vendor</u>	<u>Amount</u>
DMD Water Services	\$ 18,758
Western Land Investments	\$ 1,885
Ulmann & Company	\$ 1,655
Lawrence Robertson	\$ 244
Charvoz May & Company	\$ 400
Total Company Submitted	\$ 22,941
Less: Removal of Air Compressor Costs	\$ (3,664)
Water Sampling Tests	\$ (490)
Staff Balance, Outside Services	\$ 18,787

B - WATER TESTING - Per Company \$200
Per Staff 772 \$572

To reflect Staff's annual water testing expense

C - INSURANCE - GENERAL LIABILITY - Per Company \$2,145
Per Staff 2,065 (\$80)

To properly reflect account using information Company
provided in response to a data request as follows:

<u>Premium</u>	<u>Amount</u>
General Liability Coverage	\$ 1,565
Property Coverage	\$ 250
Commercial Auto	\$ 250
Staff Balance, Insurance - General Liability	\$ 2,065

D - REGULATORY COMMISSION EXPENSE - RATE CASE - Per Company \$2,000
Per Staff 500 (\$1,500)

To reflect the normalization of the regulatory commission expense - rate case
account over a 4 year normalization period

E - MISCELLANEOUS EXPENSE - Per Company \$412
Per Staff 12 (\$400)

To reflect the removal of a claimed expense paid by affiliated entity
for which there is no supporting documentation

STAFF ADJUSTMENTS (Cont.)

F - DEPRECIATION - Per Company \$16,800
Per Staff 14,615 (\$2,185)

Explanation of Adjustment:

Pro Forma Annual Depreciation Expense:

Acct No.	DESCRIPTION	PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
301	Organization	\$ 21,930	\$ 21,930	\$ -	0.00%	\$ -
302	Franchises	\$ -	\$ -	\$ -	0.00%	\$ -
303	Land & Land Rights	\$ -	\$ -	\$ -	0.00%	\$ -
304	Structures & Improvements	\$ -	\$ -	\$ -	3.33%	\$ -
307	Wells & Springs	\$ 111,136	\$ -	\$ 111,136	3.33%	\$ 3,701
311	Pumping Equipment	\$ 28,698	\$ -	\$ 28,698	12.50%	\$ 3,587
320	Water Treatment Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
330	Distribution Reservoirs & Standpipes	\$ -	\$ -	\$ -	0.00%	\$ -
330.1	Distribution Reservoirs, Storage	\$ 31,500	\$ -	\$ 31,500	2.22%	\$ 699
330.2	Distribution Reservoirs, Pressure	\$ 15,931	\$ -	\$ 15,931	5.00%	\$ 797
331	Transmission & Distribution Mains	\$ 286,096	\$ -	\$ 286,096	2.00%	\$ 5,722
333	Services	\$ -	\$ -	\$ -	3.33%	\$ -
334	Meters & Meter Installations	\$ 1,306	\$ -	\$ 1,306	8.33%	\$ 109
335	Hydrants	\$ -	\$ -	\$ -	0.00%	\$ -
336	Backflow Prevention Devices	\$ -	\$ -	\$ -	0.00%	\$ -
339	Other Plant and Misc. Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
340	Office Furniture & Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
341	Transportation Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
343	Tools Shop & Garage Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
344	Laboratory Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
345	Power Operated Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
346	Communication Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
347	Miscellaneous Equipment	\$ -	\$ -	\$ -	0.00%	\$ -
348	Other Tangible Plant	\$ -	\$ -	\$ -	0.00%	\$ -
	Total Plant	\$ 496,597	\$ 21,930	\$ 474,667		\$ 14,615

Depreciation Expense Before Amortization of CIAC: \$ 14,615

Less Amortization of CIAC*: \$ -

Test Year Depreciation Expense - Staff: \$ 14,615

Depreciation Expense - Company: \$ 16,800

Staff's Total Adjustment: \$ (2,185)

G - PROPERTY TAXES - Per Company \$490
Per Staff 266 (\$224)

To reflect removal of property taxes from prior year from test year expense

RATE DESIGN

Monthly Usage Charge	Present	-Proposed Rates-	
	Rates	Company	Staff
5/8" x 3/4" Meter	\$25.00	\$30.00	\$30.00
3/4" Meter	25.00	45.00	30.00
1" Meter	62.50	75.00	75.00
1½" Meter	125.00	150.00	150.00
2" Meter	200.00	240.00	240.00
3" Meter	400.00	480.00	480.00
4" Meter	625.00	750.00	750.00
6" Meter	1,250.00	1,500.00	1,500.00
Gallons Included in Minimum			
For all Meter Sizes	0	0	0
Commodity Rates:			
Per 1,000 Gallons for 0 to 10,000 Gallons	\$2.00	N/A	N/A
Per 1,000 Gallons for Gallons in Excess of 10,000	\$4.50	N/A	N/A
Per 1,000 Gallons for 0 to 4,000 Gallons	N/A	\$2.50	N/A
Per 1,000 Gallons for 4,001 to 10,000	N/A	\$4.00	N/A
Per 1,000 Gallons for Gallons in Excess of 10,000	N/A	\$5.00	N/A
Per 1,000 Gallons for 0 to 3,000 Gallons	N/A	N/A	\$2.50
Per 1,000 Gallons for 3,001 to 9,000	N/A	N/A	\$3.75
Per 1,000 Gallons for Gallons in Excess of 9,000	N/A	N/A	\$4.50
Bulk Haulers per 1000	\$4.50	\$5.00	\$4.50

RATE DESIGN (Cont.)

Service Line and Meter Installation Charges

Meter Size	Company	Company	Staff's Recommendation		
	Current Tariff	Proposed Tariff	Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$410	\$450	\$365	\$85	\$450
3/4-inch	\$455	\$530	\$360	\$170	\$530
1-inch	\$520	\$620	\$410	\$210	\$620
1½-inch	\$740	\$865	\$440	\$425	\$865
2-inch Turbo	\$1,235	\$1,535	\$615	\$920	\$1,535
2-inch Compound	\$1,800	\$2,260	\$610	\$1,650	\$2,260
3-inch Turbo	\$1,705	\$2,215	\$775	\$1,440	\$2,215
3-inch Compound	\$2,340	\$3,050	\$825	\$2,225	\$3,050
4-inch Turbo	\$2,700	\$3,380	\$1,080	\$2,300	\$3,380
4-inch Compound	\$3,405	\$4,335	\$1,170	\$3,165	\$4,335
6-inch Turbo	\$3,405	\$6,150	\$1,660	\$4,490	\$6,150
6-inch Compound	\$6,510	\$7,950	\$1,750	\$6,200	\$7,950

Service Charges

Service Charges	Present Rates	-Proposed Rates- Company	Staff
Establishment	\$25.00	\$30.00	\$30.00
Establishment (After Hours)	\$40.00	\$45.00	\$45.00
Reconnection (Delinquent)	\$30.00	\$35.00	\$35.00
Re-Establishment (Within 12 Months)	**	**	**
Charge for Moving meter at customer request	***	***	***
Deposit	*	*	*
Deferred Payment Finance Charge	****	****	****
NSF Check	\$15.00	\$25.00	\$25.00
Meter Re-Read (If Correct)	\$15.00	\$20.00	\$20.00
Late Payment for delinquent bills	****	****	****
Main extension and additional facilities agreements	Cost	Cost	Cost
<u>Monthly Service Charge for Fire Sprinkler</u>			
4" or Smaller	NA	NA	*****
6"	NA	NA	*****
8"	NA	NA	*****
10"	NA	NA	*****
Larger than 10"	NA	NA	*****

- * Per Commission Rules R14-2-403(B)
- ** Months off system times the monthly minimum (R14-2-403.D)
- *** Cost to include parts, labor, overhead, and all applicable taxes, including income tax, if applicable.
- **** 1.50 percent per month of the unpaid balance
- ***** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

TYPICAL BILL ANALYSIS
General Service 5/8 X 3/4 - Inch Meter

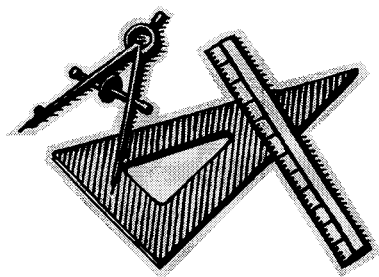
Average Number of Customers: 19

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,783	\$36.57	\$47.13	\$10.56	28.88%
Median Usage	3,483	\$31.97	\$38.71	\$6.74	21.08%

Staff Recommend	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,783	\$36.57	\$47.93	\$11.36	31.06%
Median Usage	3,483	\$31.97	\$39.31	\$7.34	22.96%

Present & Proposed Rates (Without Taxes)
General Service 5/8 X 3/4 - Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Proposed Rates	% Increase
0	\$25.00	\$30.00	20.0%	\$30.00	20.0%
1,000	27.00	32.50	20.4%	32.50	20.4%
2,000	29.00	35.00	20.7%	35.00	20.7%
3,000	31.00	37.50	21.0%	37.50	21.0%
4,000	33.00	40.00	21.2%	41.25	25.0%
5,000	35.00	44.00	25.7%	45.00	28.6%
6,000	37.00	48.00	29.7%	48.75	31.8%
7,000	39.00	52.00	33.3%	52.50	34.6%
8,000	41.00	56.00	36.6%	56.25	37.2%
9,000	43.00	60.00	39.5%	60.00	39.5%
10,000	45.00	64.00	42.2%	64.50	43.3%
15,000	67.50	89.00	31.9%	87.00	28.9%
20,000	90.00	114.00	26.7%	109.50	21.7%
25,000	112.50	139.00	23.6%	132.00	17.3%
50,000	225.00	264.00	17.3%	244.50	8.7%
75,000	337.50	389.00	15.3%	357.00	5.8%
100,000	450.00	514.00	14.2%	469.50	4.3%
125,000	562.50	639.00	13.6%	582.00	3.5%
150,000	675.00	764.00	13.2%	694.50	2.9%
175,000	787.50	889.00	12.9%	807.00	2.5%
200,000	900.00	1,014.00	12.7%	919.50	2.2%



ENGINEERING REPORT FOR EMPIRITA WATER COMPANY

DOCKET NO. W-03948A-07-0495 (Rates)

November 19, 2007

CONCLUSIONS

1. The Arizona Department of Environmental Quality ("ADEQ") has determined that the Company's system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
2. The Company's water system has a water loss of 8.9 percent. This percentage is within acceptable limit of 10 percent.
3. The Company water system's current well and storage capacities are adequate to serve the present customer base and a reasonable level of growth.
4. The Company reported that arsenic was not detected at its two wells. Based on this information, the Empirita water system is currently in compliance with the new arsenic Maximum Contaminant Level.
5. The Company is not located in an Active Management Area ("AMA") and is not subject to Arizona Department of Water Resources ("ADWR") reporting and conservation requirements.
6. The Company has no outstanding Arizona Corporation Commission ("ACC") compliance issues.
7. The Company has an approved curtailment plan tariff.
8. The Company does not have a backflow prevention tariff.

RECOMMENDATIONS

1. Staff recommends its annual water testing expense of \$772 be used for this proceeding.
2. Staff recommends that the Company continue to use the depreciation rates delineated in Table B that was used for this proceeding.

3. Staff recommends that the service line and meter installation charges labeled “Staff’s Recommendation” in Table D be adopted.
4. Staff recommends that the Company file a backflow prevention tariff with Docket Control, as a compliance item in this same docket, within 45 days after the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission’s website at www.azcc.gov/divisions/utilities/forms/cross-c.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

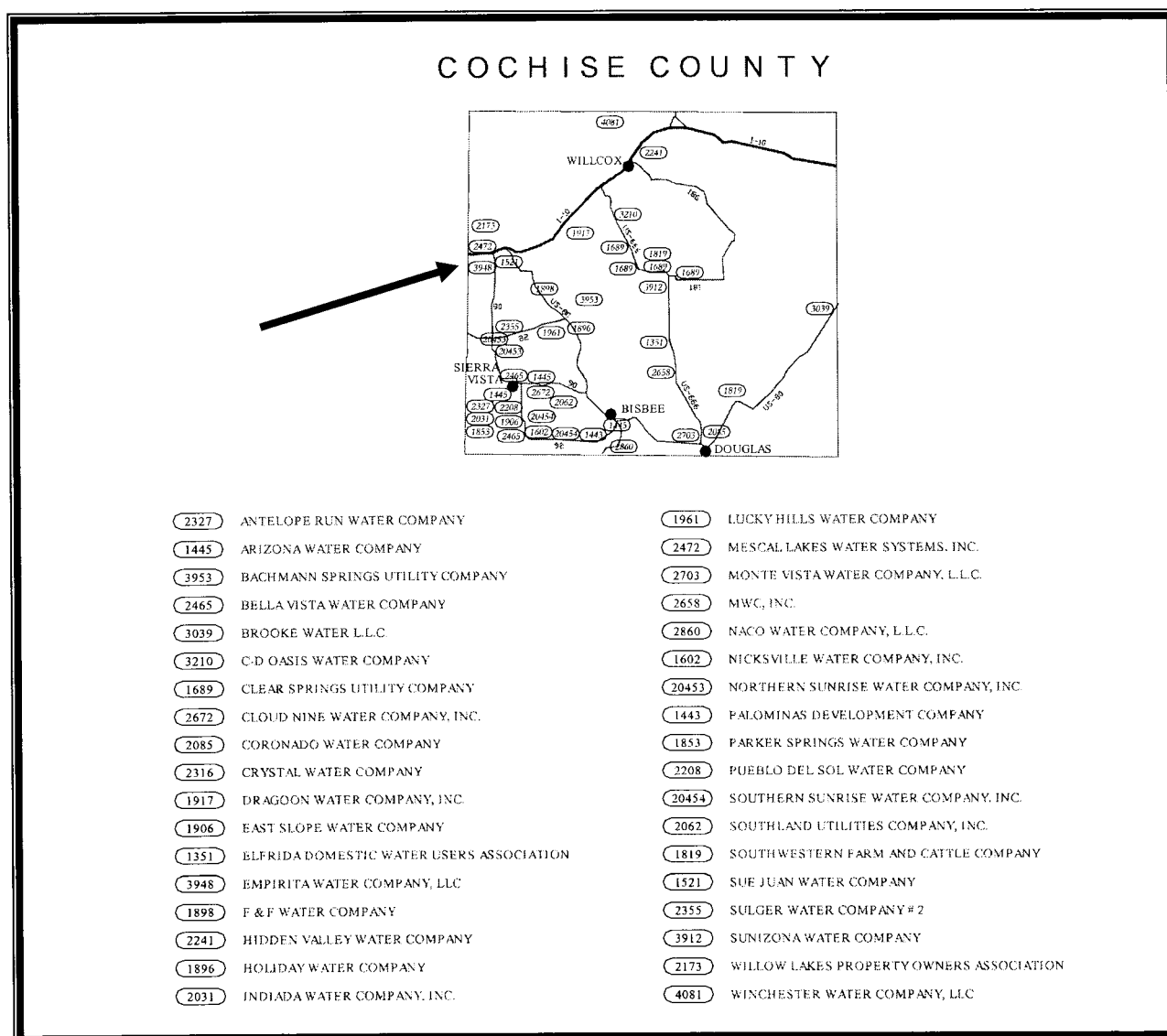
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A. INTRODUCTION AND LOCATION OF COMPANY

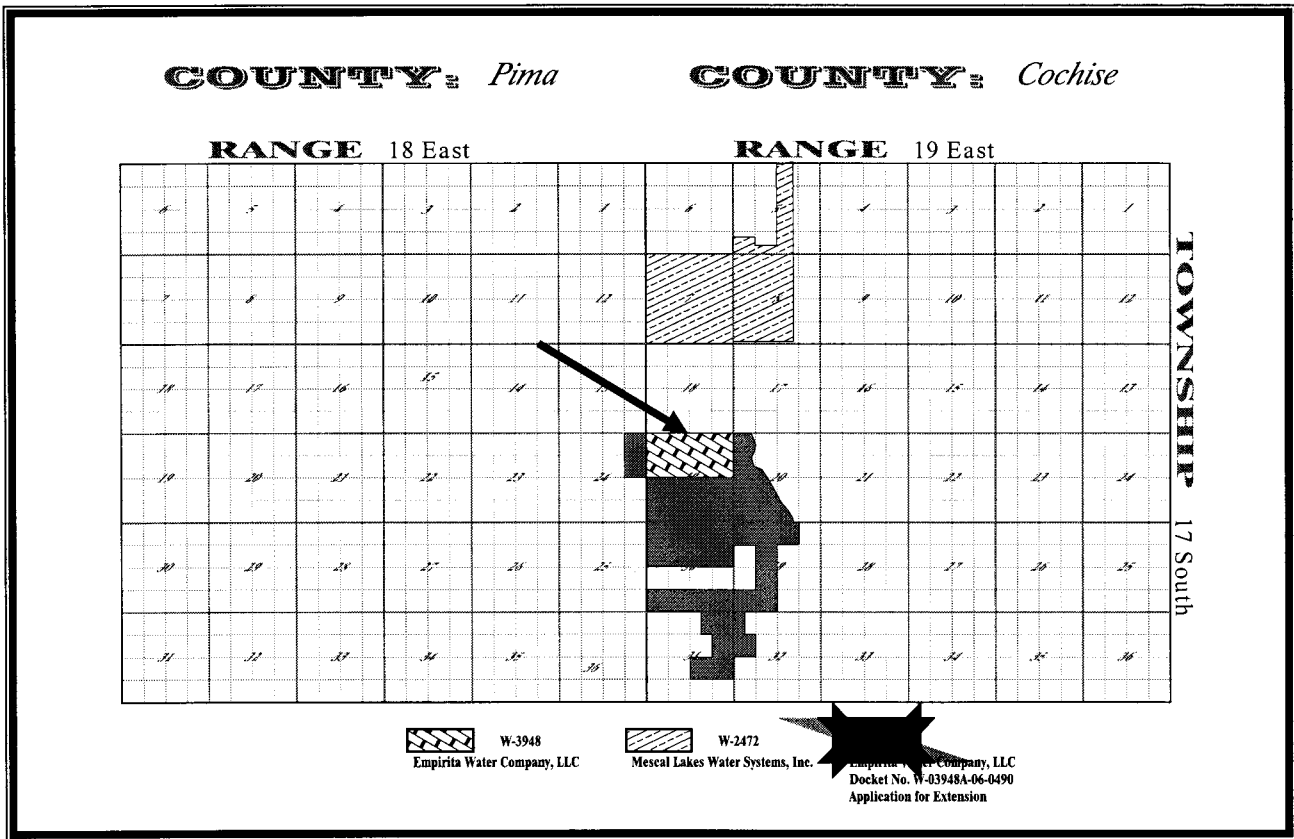
On August 24, 2007 Empirita Water Company ("Empirita" or "Company") filed a rate application with the Arizona Corporation Commission ("ACC" or "Commission"). Empirita's current Certificate of Convenience and Necessity ("CC&N") area is located approximately 8 miles west of Benson in Cochise County in Arizona.¹ Empirita's water system currently serves a residential development known as Redhawk I. Figure 1 shows the location of the Company within Cochise County and Figure 2 delineates the approximate 320 acres of Empirita's current certificated area.

Figure 1



¹ Staff's reference to the Company's current CC&N excludes the extension area for which the Commission granted an Order Preliminary to Empirita (See Commission Decision No. 69399 issued March 29, 2007).

Figure 2



B. DESCRIPTION OF THE WATER SYSTEMS

The water system was visited on November 6, 2007, by Katrin Stukov, Staff Utilities Engineer, in the accompaniment of James Vermilyea, the Company's President, Mike Leider, the water system's operator and Jason C. Mercer, P.E., the Company's engineer. Empirita's current water system consists of two active wells, one storage tank, one pressure tank, two booster pumps and a distribution system serving 23 customers². This rate filing is the Company's first rate case since its CC&N was issued in Decision No. 63676, dated May 24, 2001.

A system schematic is shown as Figure 3 and Table A includes a detailed plant facility listing:

Table A. Plant Facilities Summary³

Wells and Components									
Well #	ADWR ID#	Well Pump Horsepower (hp)	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Fence (feet)	Surge Control Tanks
1	55-579078	10	38.1	445	5	2	2000	20'x20'	(2)-80gal
2	55-580933	10	31.1	425	5	2	2000	10'x10'	

Water Tanks and Components		
Water Tanks	Components	Fence
47,000 gallons Storage Tank		Block/chain link fence 60'x50'
5,000 gallons Pressure Tank	(2)-3 hp Booster Pumps	

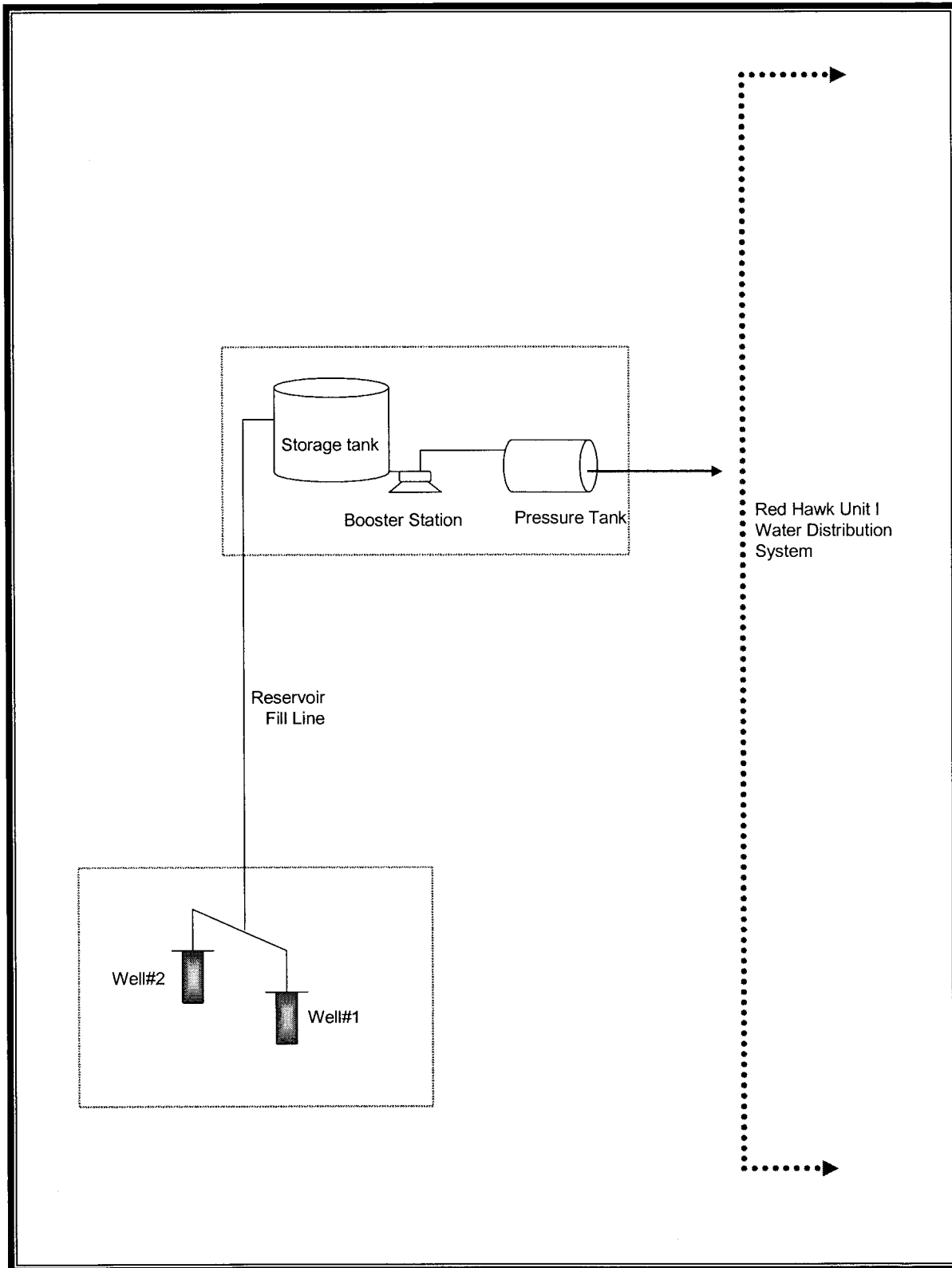
Mains		
Size (inches)	Material	Length (feet)
4	PVC	10,500
6	PVC	11,650

Customer Meters	
Size (inches)	Quantity
5/8 x 3/4	23

² As of the end of the test year December 31, 2006

³ Based on the Company's application and Staff's site visit

Figure 3 System Schematic

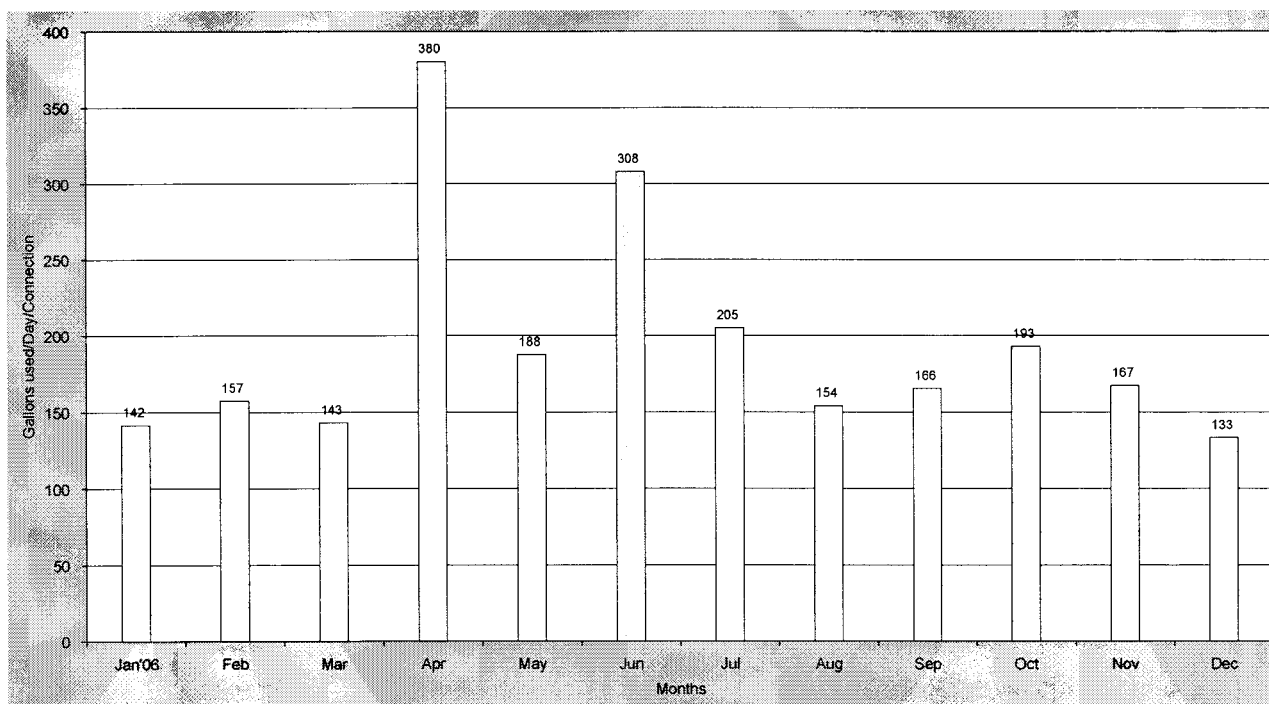


C. WATER USE

Water Sold

Figure 4 represents the water consumption data for the test year ending December 31, 2006, provided by the Company in its water use data sheet. Customer consumption included a high monthly water use of 380 gallons per day (“GPD”) per connection in April, and the low water use was 133 GPD per connection in December. The average annual use was 195 GPD per connection.

Figure 4 Water Use



Non-account Water

Non-account water should be 10 percent or less. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing. The Company reported 1,415,707 gallons pumped and 1,290,190 gallons sold for the test year, resulting in a water loss of 8.9 percent.

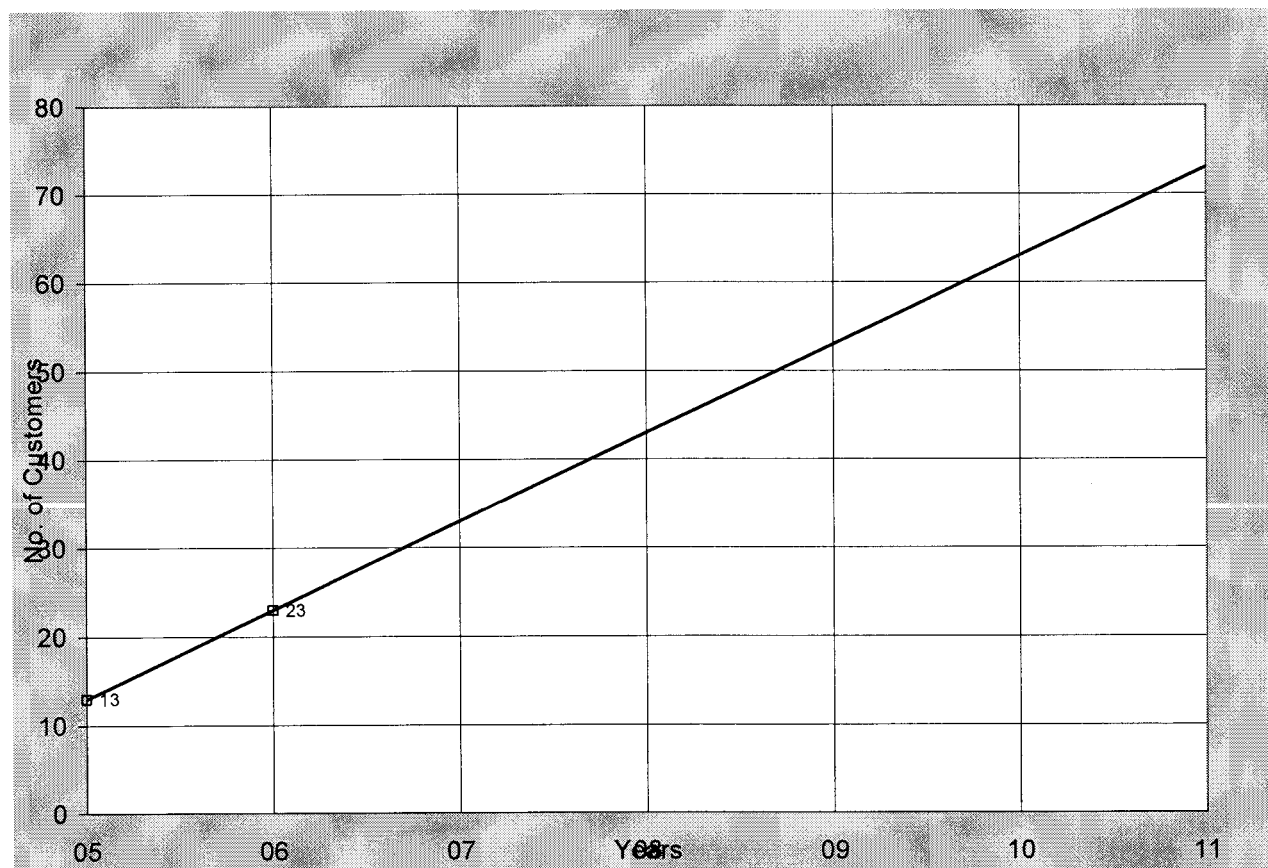
System Analysis

Based on the data provided by the Company, the system's current well total production capacity is 69 GPM and storage capacity is 47,000 gallons. The system had 23 connections as of December 2006. Staff concludes that the system's current well total production and storage capacities are adequate to serve the present customer base and reasonable growth.

D. GROWTH

Based on customer data obtained from the Company's Annual Reports, it is projected that the Company could have approximately 73 customers by 2011. Figure 5 depicts actual growth from 2005 to 2006 and projects an estimated growth for the next five years using linear regression analysis.

Figure 5 Growth Projection



E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance

According to an ADEQ Compliance Status Report, dated August 24, 2007, ADEQ reported no deficiencies and has determined that the Company's system (ADEQ Public Water System Identification No. 02-122) is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb.

The Company reported that arsenic was not detected at its two wells.⁴ Based on this information, the Empirita water system is currently in compliance with the new arsenic MCL.

Water Testing Expense

Participation in the ADEQ Monitoring Assistance Program ("MAP") is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections). ADEQ indicated that the Company will be subject to mandatory participation in the MAP beginning in 2008 with estimated MAP fees of approximately \$322 for the 2008 Calendar Year.⁵ The Company reported its water testing expense (for Total coliform) at \$200⁶ during the test year. Staff has reviewed the Company's water testing expense and has recalculated annual water testing expense by adding monitoring requirement for Nitrate, Lead & Copper and estimated MAP fees.

Table B below shows Staff's annual water monitoring expense estimate of \$772 with participation in the MAP program.

Table B. Water Testing Cost

Monitoring (one POE)	Cost per test	No. of tests per year	Annual Cost
Total coliform – monthly	\$20	12	\$200
Inorganics – Priority Pollutants	MAP	MAP	MAP
Radiochemical – per 4 years	MAP	MAP	MAP
Phase II and V:			
Nitrate – annual	\$30	1	\$30
Nitrite – once per period	MAP	MAP	MAP
Asbestos – per 9 years	MAP	MAP	MAP
MAP – IOCs, SOCs, & VOCs	MAP	MAP	\$322
Lead & Copper	\$33	20/3-yr	\$220
Total			\$772

F. ADWR COMPLIANCE

The Company is not within an Active Management Area, and consequently is not subject to ADWR reporting and conservation requirements.

⁴ Based on the Company's responses to Data Requests received on October 18, 2006 (Docket 06-0490)

⁵ Per phone conversation with ADEQ on September 11, 2007

⁶ Per Company's Rate Application, page 19.

G. ACC COMPLIANCE

A check with Utilities Division Compliance Section showed that there are currently no delinquent compliance items for the Company⁷.

H. DEPRECIATION RATES

According to data received on November 8, 2007, it appears the Company has been using Staff's recommended depreciation rates per National Association of Regulatory Utility Commissioners ("NARUC") plant category. These rates are presented in Table C and it is recommended that the Company continue using these depreciation rates by individual NARUC category.

⁷ Per ACC Compliance status check dated September 6, 2007

TABLE C
TYPICAL DEPRECIATION RATES FOR WATER COMPANIES

NARUC Account No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

According to data received on November 8, 2007, the Company has requested changes in its service line and meter installation charges. These charges are refundable advances and the Company requested charges that are within Staff's customary range of charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff. Staff recommends that the charges labeled "Staff's Recommendation" in Table D below be adopted.

Table D Service Line and Meter Installation Charges

Meter Size	Company Current Tariff	Company Proposed Tariff	Staff's Recommendation		
			Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$410	\$450	\$365	\$85	\$450
3/4-inch	\$455	\$530	\$360	\$170	\$530
1-inch	\$520	\$620	\$410	\$210	\$620
1-1/2-inch	\$740	\$865	\$440	\$425	\$865
2-inch Turbo	\$1,235	\$1,535	\$615	\$920	\$1,535
2-inch Comp.	\$1,800	\$2,260	\$610	\$1,650	\$2,260
3-inch Turbo	\$1,705	\$2,215	\$775	\$1,440	\$2,215
3-inch Comp.	\$2,340	\$3,050	\$825	\$2,225	\$3,050
4-inch Turbo	\$2,700	\$3,380	\$1,080	\$2,300	\$3,380
4-inch Comp.	\$3,405	\$4,335	\$1,170	\$3,165	\$4,335
6-inch Turbo	\$3,405	\$6,150	\$1,660	\$4,490	\$6,150
6-inch Comp.	\$6,510	\$7,950	\$1,750	\$6,200	\$7,950

2. Curtailment Plan Tariff

The Company has an approved curtailment tariff.

3. Backflow Prevention Tariff

The Company does not have a backflow prevention tariff for its system.